

Eastern Maine Electric Cooperative, Inc.

ANNUAL REPORT

2008



EASTERN MAINE ELECTRIC COOPERATIVE

Eastern Maine Electric Co-op is a nonprofit consumer-owned electric utility serving parts of Aroostook, Penobscot, and Washington Counties on Maine's Eastern Border with Canada. The primary goal of a rural electric cooperative is to provide quality electric service at the lowest cost consistent with sound management.

DIRECTORS

R. SCOTT SKINNER - PRESIDENT	Zone 11
Albert W. Hartford, Vice President	Zone 3
Wallace H. Lindahl, Secretary	Zone 8
Ralph E. Staples, Treasurer	Zone 9
Ralph S. Ray	Zone 1
Robert S. Olsson	Zone 2
Earl C. Hill, Jr.	Zone 4
John W. Larkin	Zone 5
Vernon M. Wentworth	Zone 6
James W. Bala	Zone 7
Virgil L. Farrar	Zone 10

CHIEF EXECUTIVE OFFICER
Scott M. Hallowell

ATTORNEY
Daniel L. Lacasse

AUDITOR
Berry, Dunn, McNeil & Parker, CPAs



Eastern Maine 
Electric Cooperative

A Touchstone Energy® Cooperative
The power of human connections®



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2008 REPORT TO THE MEMBERS

Cooperative Progress



The Cooperative mowed the brush under the power lines along Route 1 between Topsfield and Greenland Cove as part of its 2008 power line right of way maintenance program. Other

significant trimming and clearing was performed

on: the Jackins

Settlement Road in

Orient; Frenchville, Happy Corner, and Waters Roads near Patten; Irish Settlement Road and Reservation Roads outside of Danforth.



The Cooperative dedicated the Hugh M. Libby Substation in Ludlow on July 8, 2008. Co-op CEO Scott Hallowell was joined by former CEO Jim Dean and EMEC employees for the ribbon

cutting ceremony, during which the former

director and lifelong Cooperative supporter was presented with a plaque commemorating the event. *(Picture, front cover)*

The Cooperative hired Osmose, a contractor who specializes in pole inspections, to perform an inspection of the Cooperative's forty-mile 69 kiloVolt transmission line, which runs from Calais to Topsfield. The testing procedure involves digging around the base of the transmission poles and drilling samples of the pole core beneath ground-level. If damage is found, it can often be repaired by chemically treating and sealing the pole. In the 2008 inspection, several structures were treated, but none required replacement.

Repairs were made to the Woodland Gang-Operated Air Break (GOAB) switch, a key piece of infrastructure at the Woodland substation. The GOAB switch is a three-way transmission line switch used to isolate the portion of the line affected by

an outage, thereby minimizing the number of Co-op members affected. EMEC has another GOAB switch in Princeton.

In this instance, the weather-related damage to the Woodland GOAB switch itself was repaired by a contractor with the line still energized; this eliminated the need for a lengthy outage affecting thousands of Co-op members from Woodland north. In the next few months, the Cooperative will also install transmission line switches in Calais, which will enhance the ability to sectionalize the transmission line at the at the Calais substation.

Two property developer line extensions were completed in 2008. The first was a three-mile extension to the Birch Point development at Cathance Lake in Cooper. The second was a two-mile extension to the Deer Point development at Howard Lake in Calais.

Preparation continued for serving the new Maine to New Brunswick border crossing in Calais. To accommodate the new crossing, the Co-op relocated a three-phase line to the city water well behind the Calais industrial park. The Co-op also relocated the power line feeding the remainder of the Industrial Park. The federal government will pay for these projects from the bridge construction funds.

To accommodate changes in the state highway right of way associated this project, a three-phase line on Route 1 between the new bridge and Magurrewock Marsh was also relocated. In 2009, the Cooperative built a new line to serve the new border crossing.

In the second half of 2008, the Co-op executed paperwork to borrow \$4.764 million dollars from the Federal Financing Bank. The loan, which will fund ongoing system improvements in the Cooperative's four-year construction work plan, is guaranteed by the USDA Rural Utilities Service (RUS).

The work plan calls for upgrading the line on Main Street in Woodland to be a three-phase, 7.2-kiloVolt (kV) line connected to the Woodland B substation transformer. The line will be connected to a circuit off the Woodland B substation transformer, and it will tie into the three-phase line on the Access Road, which is served from the Princeton substation. This project, which will be started in the next few months, will provide a tie between the Woodland and Princeton substations, making it possible to transfer some load between the two stations during emergencies. It will also facilitate the eventual upgrading of all of the power lines in the town of Woodland to 7.2 kV.

Later this year, the Co-op will also replace the oil-filled reclosers in the Topsfield substation with electronic reclosers. The new reclosers will provide more data on the operation of the lines, and they will allow the Co-op to increase the number of sectionalizing devices on the circuits serving the Danforth and Springfield areas. Sectionalizing enhances system reliability by isolating outages to smaller sections of the delivery system.

EMEC's overall financial performance for 2008 was strong as measured by the two key ratios used by the Cooperative's lenders to evaluate its financial progress. The first of these ratios is the Times Interest Earned Ratio (TIER), which is a measure of the relationship between the Co-op's margin and its interest expense. The Debt Service Coverage Ratio (DSC) is a measure of the Cooperative's ability to generate funds sufficient to cover its debt service payments. Both of these ratios were coincidentally at 2.10 in 2008. They were substantially improved for the year



Bill Gillespie, Nate Maxwell, Mike Carrier, and Jason MacArthur

because the Cooperative enjoyed a onetime increase in revenue in 2008 due to a transfer of assets unrelated to electric delivery services.

In December of 2008, EMEC sent two volunteer crews of line workers and a bucket truck to support New Hampshire Electric Cooperative (NHEC) after an ice storm in the granite state left historic damage in its wake. The two-man crews were sent one at a time to ensure that EMEC had sufficient coverage of its own system, and NHEC reimbursed the Cooperative for its costs.

Personnel Changes

Andrew Tickle was promoted to Manager of Engineering in February of 2008. Andrew had held several positions in the Engineering Department before the promotion. He is a certified Professional Engineer with a Bachelor of Science Degree in Engineering from George Mason University. In 2004, Andrew earned a Masters in Business Administration from Thomas College in Waterville.

Also in February, Errol Trafton retired as a line worker after 41 and 1/2 years of employment with Eastern Maine Electric. New lineman Brent Delnicki of Baileyville was hired to fill his position. In December, Chad Moreside of Calais was hired as a new lineman to replace Tom Farnham, who would be promoted to Line Superintendent in January of 2009.

EASTERN MAINE ELECTRIC COOPERATIVE, INC.
BALANCE SHEET
FOR THE YEARS 2008 AND 2007

ASSETS

Utility Plant:

Electric plant in service - at cost	\$46,375,458	\$44,833,704
Construction work in progress	836,185	673,174
Total Utility Plant	47,211,643	45,506,878
Less: Accumulated provisions for depreciation	22,475,680	21,323,651
Net Utility Plant	24,735,963	24,183,227

Other Assets:

Deferred charges	17,795	24,196
Investments in associated organizations	786,760	772,047
Note receivable	65,625	153,125
Total Other Assets	870,180	949,719

Current Assets:

Cash - general	1,060,102	248,291
Accounts receivable - net	1,255,026	925,257
Materials and supplies	576,856	506,724
Current portion of notes receivable	87,500	87,500
Other current assets	44,489	61,767
Total Current Assets	3,023,973	1,829,539

Deferred Debits:

Regulatory asset, net of amortization of \$8,591,880 in 2008 and \$8,342,237 in 2007	7,173,098	7,186,858
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Total Assets

\$35,803,214	\$34,149,343
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LIABILITIES & EQUITY

Equities:

Memberships	\$ 50,090	\$ 50,130
Patronage capital (members' ownership)	11,297,528	10,222,942
Total Margins & Equities	11,347,618	10,273,072

Long Term Debt, excluding current maturities:

Rural Utilities Service (RUS)	11,848,785	9,643,902
Cooperative Finance Corp. (CFC)	4,273,202	4,376,442
Federal Financing Bank (FFB)	3,528,126	3,593,542
Rural Business - Cooperative Service	65,625	153,125

Total Long Term Debt	19,715,738	17,767,011
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Other non-current liabilities

1,158,300	960,000
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Current Liabilities:

Notes payable - lines of credit	0	2,050,000
Current maturities of long-term debt	8117,000	762,798
Accounts payable	978,616	743,759
Consumer deposits	122,554	74,049
Accrued interest	70,325	91,993
Accrued expenses and other current liabilities	362,251	368,405

Total Current Liabilities	2,350,746	4,091,004
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Deferred Credits

1,230,812	1,058,256
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Total Liabilities & Equities

\$35,803,214	\$34,149,343
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EASTERN MAINE ELECTRIC COOPERATIVE, INC.
STATEMENT OF OPERATIONS
FOR THE YEARS 2008 AND 2007

	<u>2008</u>	<u>2007</u>
Operating Revenues:		
Residential	\$ 4,491,493	\$ 4,177,211
Seasonal	487,409	444,961
Commercial	2,376,472	2,177,514
Street Lighting and Public Auth.	209,253	195,228
Industrial & Other	62,384	142,299
Other Electric	<u>1,132,553</u>	<u>560,716</u>
Total Operating Revenues	<u>8,759,564</u>	<u>7,697,929</u>
Operating Expenses:		
Purchased Power	<u>177,161</u>	<u>243,764</u>
Transmission	107,979	58,759
Distribution, operation	1,454,751	1,442,496
Distribution, maintenance	830,864	609,450
Consumer accounts	887,146	754,710
Customer service & informational exp.	191,202	183,886
Administrative & general	1,321,070	1,450,829
Depreciation	1,527,676	1,386,948
Amortization, regulatory asset	249,643	249,643
Interest - Long-term	980,370	919,984
Other interest and expenses	<u>31,374</u>	<u>138,436</u>
Total Oper. Exp. without Purchased Power	<u>7,582,075</u>	<u>7,195,141</u>
Total Operating Expenses	<u>7,759,236</u>	<u>7,438,905</u>
Operating Margins	<u>1,000,328</u>	<u>259,024</u>
Patronage dividends	<u>38,820</u>	<u>37,555</u>
Net Operating Margins	<u>1,039,148</u>	<u>296,579</u>
Nonoperating Margins:		
Interest income	30,759	19,702
Other	<u>8,798</u>	<u>21,598</u>
Net Nonoperating Margins	<u>39,557</u>	<u>41,300</u>
Net Margins	<u>\$1,078,705</u>	<u>\$ 337,879</u>
T.I.E.R.	2.10	1.37
Operating D.S.C.	2.10	1.68

AUDIT REPORT: The annual audit of records for the columns marked 2008 and 2007 were made by Berry, Dunn, McNeil & Parker, CPAs, 100 Middle Street, Portland, ME 04101. Copies of the audit report are on file with the Maine Public Utilities Commission, Augusta, Maine; the Rural Utilities Service, Washington, D.C.; and are available for inspection at the Cooperative's offices in Calais, Maine.

FIVE YEAR COMPARISONS

GENERAL STATISTICS	2008	2007	2006	2005	2004
Average Number of Active Accounts	12,597	12,538	12,410	12,282	12,171
Total Miles of Electric Lines	1,701	1,696	1,679	1,672	1,652
Amount Allocated for Bad Debts (% Retail Rev.)	\$75,489	\$61,682	\$59,707	\$71,159	\$70,597
Bad Debts Written Off (Actual for year)	\$87,781	\$68,382	\$60,590	\$63,780	\$81,590

REVENUE & EXPENSE STATISTICS	2008	2007	2006	2005	2004
Average Annual kWh/Member (Res.)*	6,341	6,500	6,448	6,545	6,498
Average Annual Rev. (cents/kWh) (Res.)*	8.587	7.796	7.641	7.604	7.489
Avg. # of Consumers per Employee	371	358	355	361	348
Operations & Maint./Mile of Line	\$1,344	\$1,210	\$1,273	\$1,355	\$1,119
Average Number of Employees	34	35	35	34	35
Consumer Accounts Exp. as % of Rev.	10.08%	9.80%	9.94%	9.36%	8.34%
A&G Expense as % of Rev.	15.08%	18.85%	17.71%	17.84%	15.17%
kWh losses	9.54%	9.90%	9.45%	10.03%	7.74%

*Does not include seasonal sales.

REVENUE CLASS SUMMARY		PERCENTAGE	% INCREASE (DECREASE)
	KWH DELIVERED	OF TOTAL DEL.	OVER 2007
Residential Sales	52,308,367	57.2%	-2.4%
Seasonal Sales	2,540,866	2.8%	-4.0%
Commercial Sales	33,957,878	37.2%	-1.0%
Street Lighting & Public Auth.	<u>2,465,778</u>	<u>2.7%</u>	<u>-3.7%</u>
Total Retail Delivery	91,272,889	99.9%	-1.9%
Industrial & Other Delivery	<u>116,000</u>	<u>0.1%</u>	<u>N/A</u>
Totals	91,388,889	100.0%	N/A

**kWh Delivered
by Revenue Class
2008**

